

APPENDIX H

MEXICO

Mexico¹

Overview

The implementation of NAFTA in 1994 and the devaluation of the peso in 1995 helped Mexico to become the largest foreign supplier of textiles and apparel to the United States in the late 1980s and early 1990s. In 2002, however, Mexico was surpassed by China as the largest foreign supplier, largely reflecting the effects of the appreciation of the peso in recent years and the acceleration of imports from China in quota-free product categories. The textile and apparel sector accounted for 1.2 percent of Mexico's gross domestic product (GDP), 7.1 percent of the manufacturing GDP, and about 18 percent of manufacturing employment in 2001. However, the sector accounted for only 2.4 percent of foreign direct investment (FDI) in the manufacturing sector.²

The U.S. market accounted for 95 percent (\$9.6 billion) of Mexico's textile and apparel exports in 2001. Mexico is facing growing competition in the U.S. textile and apparel market from lower cost countries in Asia and the Caribbean Basin, while the recent appreciation of its currency is effectively reducing the price competitiveness of Mexican textile and apparel products. A large part of the increased competition for Mexico in the U.S. market reflects the entrance of China into the WTO, which resulted in the elimination of certain quotas on Chinese exports to North American markets, and implementation of U.S. trade preferences for certain textile and apparel products from Caribbean Basin and sub-Saharan Africa countries.

According to Mexican industry consultants, to remain a major supplier of textiles and apparel to the United States, Mexican firms will have to continue their efforts to shift production from low-value-added basic garments to more "full-package" and technology-intensive products.³ According to a U.S. apparel retailer, faced with increasing competitive pressure from countries such as China, Mexican apparel producers will need to focus more on higher fashion, brand-name products that require smaller and more flexible runs.⁴

¹ Prepared by Ruben Mata, Office of Industries.

² Mexican Secretariat of the Economy, "Program for the Competitiveness of the Fibers, Textiles, and Apparel Industries," (translated from Spanish), Mexico City, Mar. 18, 2002, p. 2.

³ Javier Mancera, Associate Partner, Public Strategies Inc., interview by USITC staff, Mexico City, Feb. 11, 2003.

⁴ Representative of major U.S. apparel retailer, interview by USITC staff on Mar. 11, 2003.

Industry Profile

The Mexican textile and apparel sector covers the entire production chain, which includes fibers, yarns, textiles, and apparel. The apparel industry is the largest segment in the textile chain, accounting for 86 percent of sector exports to the United States in 2002. NAFTA preferences and the emergence of new organizational buyers, especially retailers and brand-name marketers, have led to attempts toward greater vertical integration in the textile and apparel sector, particularly in the export-oriented centers of North-Central Mexico.⁵ However, only a few relatively large apparel firms are vertically integrated.⁶

Industry structure and performance

The Mexican textile and apparel sector comprised 14,000 firms and employed 909,000 workers in 2001. The sector can be divided into three distinct segments: apparel firms, maquila establishments, and textile producers. Apparel firms constitute the largest share of the sector (79 percent, or 11,076 firms). Maquila establishments, which produce mostly garments for export, numbered 860 firms (6 percent) and textile producers totaled 2,100 (15 percent).⁷ Nearly 98 percent of Mexican firms are considered small to medium size (averaging 44 employees per plant) and 2 percent of the firms are large apparel firms.⁸ Most apparel firms are family owned and managed, and are largely subcontractors that do cut-and-sew operations. The Mexican apparel industry produces primarily basic garments, particularly five-pocket denim jeans and knit tops (e.g., T-shirts), mainly for export to the United States.

Mexico's textile and apparel sector is highly fragmented, and is located primarily in the South-Central part of the country, in the industrial States of Mexico, Puebla, Tlaxcala, Morelos, Hidalgo, and Jalisco. However, there are other significant regional apparel and textile clusters along the U.S.-Mexico border, in the States of Coahuila, Chihuahua, and Sonora. These are mostly large maquiladora centers, with nearly all production going to the U.S. market.

⁵ Gary Gereffi, David Spener, and Jennifer Bair, "Free Trade and Uneven Development" (Philadelphia: Temple University Press, 2002), p. 204.

⁶ Raul Garcia, General Director, National Chamber for the Apparel Industry, interview by USITC staff, Feb. 10, 2003.

⁷ National Chamber of the Textile Industry, *Mexican Apparel, Textile, and Maquiladora Fact Book*.

⁸ Gereffi, Spener, and Bair, p. 33.

Textiles

The Mexican textile industry primarily produces yarns, and knitted and woven fabrics, with denim fabric being a specialty. The industry has traditionally sold these fabrics to domestic apparel manufacturers. In 2001, there were 2,100 textile firms in Mexico, most producing solely for the domestic market. Approximately 80 percent of these firms are in the Central Valley (State of Mexico, Puebla, Tlaxcala, and Guanajuato) near Mexico City. According to Mexican industry sources, about 40 percent of the textile firms in Mexico are family-owned “microfirms,” employing fewer than five employees. A number of integrated multinational textile producers (e.g., Cone-Parras and Burlington Denim) have formed partnerships with Mexican firms to produce fabric primarily for cut-and-sew producers. Leading Mexican textile firms exporting to the U.S. market include Kaltex S.A., Lear Mexican Trim, and Eagle Trading Co.

Mexico is a significant fabric supplier to apparel manufacturers in Central America. According to customers there, Mexico’s strength lies in denim, denim/lycra blends, and fabric of specialty manmade fibers. The Central American textile and apparel firms indicated that for them to be competitive following quota elimination in 2005, it is essential that fabric from Mexico qualify as originating under the CAFTA rules of origin. Industry representatives also stated that certain Mexican fabric is less expensive, and in greater supply than comparable U.S. fabric.⁹

NAFTA preferences apply to products made in North America from the yarn stage forward (the “yarn forward” rule). Mexican textile producers have not always provided consistent quality in fabric production, particularly in the finishing processes.¹⁰ Mexican garment producers have at times sourced more expensive U.S. fabrics because comparable products are sometimes unavailable or in limited supply from Mexican textile mills.¹¹ Recently, Mexican textile mills have forged alliances with apparel producers to integrate textile and apparel production. Additionally, some textile firms are evaluating product development of select apparel categories and a few have entered into joint ventures with U.S. textile manufacturers for production of fabrics in Mexico.¹²

New investments in textile production, particularly in denim, are increasing the quality and quantity of fabrics available in Mexico. The growth of denim production underscores the important role that U.S.-based firms have in Mexico’s attempts to convert from assembly to full-package exports in apparel. Although Mexico is considered competitive in the production of denim and certain wool fabrics, it is not considered by some Mexican apparel

⁹ Interviews by USITC staff with Henry Fransen, Executive Director, Honduran Apparel Manufacturers Association, San Pedro Sula, Honduras, Feb 21, 2003; manager of a Honduran textile producer, San Pedro Sula, Honduras, Feb. 21, 2003; Edwin Zamora, President, UNITEX, San Salvador, El Salvador, Feb. 24, 2003; and representatives of two textile mills, Guatemala City, Guatemala, Feb. 27, 2003.

¹⁰ Representative of major U.S. textile mill, interview by USITC staff, Mexico City, Feb. 11, 2003.

¹¹ “The Great Mexican Cotton Pants Disaster of 2005,” Sept. 23, 2002, found at <http://www.just-style.com>, retrieved Mar. 17, 2003.

¹² Gereffi, Spener, and Bair, p. 37.

producers to be competitive in the production of many other fabrics, particularly manmade-fiber fabrics.¹³

Apparel

Until recently, the majority of Mexican apparel firms did not purchase fabric used to produce garments. Instead, the fabric was supplied by their customers, chiefly U.S. apparel firms that shifted assembly to Mexico or contracted out assembly to Mexican sewing operations. As these U.S. firms evolved from being producers to brand-name marketers, apparel production in Mexico increasingly shifted from wholly-owned subsidiaries of U.S. apparel firms to contract assemblers. To reduce costs and increase marketing focus, U.S. apparel firms increasingly favor contractors that source all of their production inputs without assistance from their customers. Becoming a full-package supplier requires access to capital (to finance the purchase of fabric and other inputs) that is not available to most apparel producers in Mexico. Mexican and U.S. textile mills have been reluctant to extend credit to much of the industry, except for the largest and most competitive apparel producers with access to external financing. Since the 1990s, Mexican commercial banks, often carrying significant uncollected debt, have restricted additional credit to manufacturers, including apparel firms. As a result, the Mexican apparel industry has been severely limited in its attempts to develop full-package services.¹⁴

Factors of production

Raw materials

The Mexican fiber industry consists of six major producers that are among the largest firms in Latin America. They operate in Mexico with Mexican joint-venture partners; most of these producers have become integrated with large U.S. producers after implementation of NAFTA in 1994. The majority of Mexico's fiber production is concentrated in commodity fibers, such as polyester staple and filament, acetate filament, high tenacity polyester, nylon filament, and high tenacity nylon. Mexico's installed production capacity for manmade fiber is 700,000 tons annually. Nevertheless, Mexico imports about 80 percent of all of its cotton, yarn, and fabric requirements from the United States. Major competing countries such as China also specialize in cotton and polyester, but do not produce as many nylon products. The bulk of Mexico's competition with China is in the basic commodity fibers.¹⁵

In recent years, according to industry officials, the Mexican market for both fabric and apparel has been impaired by transhipped goods from Asian countries that make use of Western U.S. ports of entry. Reportedly, fabrics imported from Asia can sell for as little as 10 cents per meter in the Mexican market. According to these officials, Mexican apparel

¹³ Representative of the Apparel Chamber in Mexico, interview by USITC staff, Feb. 10, 2003.

¹⁴ Ibid.

¹⁵ Carlos Lopez Amaya, Artificial Fiber, and Synthetics Section of the National Association of the Industrial Chemicals, interview by USITC staff, Feb. 10, 2003.

producers are purchasing the transhipped fabric, thereby injuring the domestic textile industry; in addition, these sources also claim that transhipped apparel is also harming the local garment market. Industry representatives interviewed in Mexico City claimed that firms importing textiles and apparel into North America allegedly under-value the products to reduce their tariff obligations, making these products more competitive in the North American market and reducing market share for both Mexican and U.S. producers.¹⁶

The recent downturn in fabric and garment production in Mexico reduced demand for production inputs. Cotton consumption peaked in 1999 (falling by 15 percent in 2001); consumption of manmade fibers peaked in 2000 (falling by 10 percent in 2001) (table H-1, found at the end of this appendix). Mexico exports approximately 32 percent of its production of manmade fibers. The United States is the largest market for Mexican fiber exports, accounting for 70 percent of total exports. Other major export markets for Mexican fibers include Colombia, Chile, and Central America.

Labor

The number of workers in the Mexican textile and apparel sector increased by 22 percent from 650,000 in 1997 to 795,000 in 1999. However, rising labor costs associated with the appreciation of the peso, together with the sluggish U.S. market and a loss of market share to China, led to a loss of 144,256 workers in 2000 and 2001. This decline was most visible in the apparel industry, which lost 111,000 workers in the 2-year period covering 2000 and 2001.¹⁷

Cross-border integration of manufacturing in North America has resulted in the growth of the automotive, electronic and electrical, and major household appliance industries in Mexico, displacing many of the labor-intensive, lower wage apparel firms in the U.S.-Mexico border region. Many of these firms have either shifted operations southward to the interior of the country or to the Yucatan region of Mexico, or to more cost competitive countries in Central America and Asia.

Wage rates in the Mexican textile and apparel sector are significantly higher than those of most other major supplying countries. The average hourly compensation (including social benefits) of apparel production in Mexico workers in 2002 was \$2.45, compared with less than \$1.60 in Guatemala, El Salvador, and Honduras; \$0.88 in the coastal area of China, and less than \$0.50 in Bangladesh, India, and Pakistan.¹⁸ Asian producers in Mexico indicated that wage rates for apparel production workers there are about \$300 per month, compared with an estimated \$100 to \$150 in Central American countries. Several firms listed rising

¹⁶ Similar assertions were made by four representatives of textile and apparel manufacturers and one trade consultant during interviews by USITC staff, Mexico City, Feb. 10, 2003.

¹⁷ Mexican Apparel, Textile, and Maquiladora Fact Book.

¹⁸ Data prepared by The Jassin-O'Rourke Group, New York, NY, for the National Cotton Council of America, Nov. 2002.

labor costs as one of the reasons for shifting production from Mexico to other regions, including Central America and Africa.¹⁹

In Puebla, one of Mexico's leading centers for the production of apparel and denim, wages have increased between 4 percent and 7 percent annually in recent years and are inclined to follow wage increases at the local Volkswagen de Mexico auto plant.²⁰ Additionally, labor laws requiring generous severance pay and holiday bonuses, as well as administrative regulations restricting labor flexibility, significantly reduce the competitiveness of the Mexican apparel industry.²¹

Although the Mexican apparel industry is frequently considered to have a highly skilled labor force, compared with apparel producers in the CBERA region, it generally has lower productivity, higher rates of turnover and absenteeism, longer lead times (to U.S. customers on the Atlantic seaboard), and higher additional costs (because of security needed to prevent pirating of apparel shipments).²²

Technology

Mexico's apparel sector generally has not made necessary improvements in manufacturing processes to remain globally competitive with major suppliers such as China and India. To remain a major supplier of apparel and textiles to the U.S. market, Mexican firms reportedly will have to turn away from basic garments toward production of more technology intensive apparel.²³ For example, capital investments are needed in advanced knitting (e.g., sweater production), embroidery, and assembly technology. In recent years, a limited number of knitwear producers in Mexico have been able to produce at the demanding quality levels required for export to the United States by obtaining limited government support in securing long-term credit for machinery in this capital-intensive industry.²⁴ In contrast to other areas of Mexico's apparel production, Mexican knitwear producers have obtained some state-of-the-art technology, and a growing number of advanced machines are now found in Mexico. Another recent technological development employed by knitwear producers has been the introduction of computerized embroidery machines capable of stitching logos on most kinds of apparel, including sweaters. An important aspect of both knitting and embroidery

¹⁹ According to a U.S. retailer, Mexican apparel factories do not have effective middle management. Decision-making power typically resides with one or two key executives, making it difficult to communicate with the factory when top managers are away. Interviews by USITC staff with industry officials in the United States and Taiwan, Mar. 2003.

²⁰ Julian Park, Director of Production, Impresiones de Baja, interview by USITC staff, Feb. 12, 2003.

²¹ Gabriel Nabielsky D., engineer, American Textil, S.A., interview by USITC staff, Feb. 11, 2003.

²² Industry official, conference call with USITC staff, Mar. 11, 2003.

²³ Mancera.

²⁴ Long-term capital financing is difficult to obtain domestically and interest rates are much higher than other major competitive countries such as China and India. Mexico has granted highly competitive long-term credit to a few small and medium-size firms to purchase a nominal amount of specialized machinery.

machines is their low economies of scale, making it possible for small firms to operate in the industry.

Mexican knitwear producers depend on domestic synthetic fiber and yarn manufacturers. Synthetic yarn constitutes almost 100 percent of yarn inputs and 85 to 90 percent of variable costs in the production of knitwear fabric. Direct labor accounts for approximately 10 percent of labor costs.²⁵

Investment

The implementation of NAFTA in 1994 and the devaluation of the Mexican peso in 1995 promoted considerable FDI in the Mexican apparel industry. During 1995-2000, FDI in apparel expanded from \$176 million to \$343 million. During this period, approximately 40 percent of all FDI in Mexico was destined for the apparel industry. The dominant share of apparel investment reportedly was made by U.S. firms seeking to remain competitive with Asian exporters of these products.²⁶

In December 2001, there were 917 textile and apparel firms with FDI. The United States was the leading investor with 568 firms (62 percent), followed by Korea with 119 firms (13 percent), and Spain and China with 25 firms each (3 percent). All other nations had investments in 180 Mexican firms (22 percent).²⁷ The Mexico City area and surrounding States of Mexico, Puebla, and Tlaxcala accounted for approximately 38 percent of total FDI. Mexican States along the U.S.-Mexico border accounted for 33 percent of FDI, and the rapidly growing Yucatan Peninsula area accounted for 8 percent.

Since 1999, Mexico's textile industry has received significantly more FDI than the apparel industry, largely as a result of major investments by multinational firms such as Burlington Industries, Cone, Guilford Mills, and Tuntex Mills (Thailand).²⁸ Major textile producers sought to forge alliances with apparel suppliers to permit more integrated textile and apparel production in different regions of Mexico. In addition, some textile firms explored the possibility of creating their own product-development firms for select apparel categories. A few of these major mills firms have entered into joint ventures with Mexican textile manufacturers (e.g., Cone-Parras in the Mexican state of Tlaxcala) for the production of fabrics in Mexico.²⁹

In late 2001, Guilford Mills closed its newly constructed yarn and fabric facility in Altamira, Mexico, taking a loss (\$80 million).³⁰ The firm had anticipated that fabric made in Mexico

²⁵ Gereffi, Spener, and Bair.

²⁶ Raul Garcia, General Director, National Chamber for the Apparel Industry, interview by USITC staff, Feb. 10, 2003.

²⁷ "Director Foreign Investment in the Textile Industry," *Subsecretaria De Normatividad y Servicios A La Industrial Y Al Comercio Exterior*, frame 2, p. 6, Dec. 2001.

²⁸ Gereffi, Spener, and Bair, pp. 37-40.

²⁹ Ibid., p. 37.

³⁰ Nabielsky D.

would qualify as originating for the purposes of the CBTPA. The final version of that legislation did not permit use of Mexican fabric in CBTPA-eligible apparel products.

Many factors contributed to reducing Mexico's competitiveness in textiles and apparel. These include a slowdown in the Mexican economy in 2001, due in part to weak U.S. economic activity; continued difficulties in enacting tax reforms and measures to liberalize foreign participation in the electricity and telecommunications sectors, and the erosion of NAFTA advantages with respect to U.S. imports from the CBERA region.³¹

Government Policies

Mexico has few major programs to assist its textile and apparel sector. The Government of Mexico implemented its National Plan for Development (NDP), 2001-2006, on May 30, 2001. The NDP identifies 12 strategic, priority industry sectors vital to the competitiveness of the country. The fiber, textile, and apparel industries were classified as vital strategic industries because they are major generators of employment and they attract manufacturing investment.³²

The Sectoral Promotion Program was established in October 2000 to eliminate or reduce Mexican tariffs on non-NAFTA inputs not manufactured in Mexico for firms that use such imports in the manufacture of goods for export.³³ However, maquiladora apparel producers reportedly found the ProSec process impractical because of record keeping requirements and other administrative burdens that draw resources from manufacturing and technology improvement efforts.³⁴

Domestic policies

The Mexican Secretariat of the Economy (SECON) is devoting more resources to antidumping and subsidy cases against Chinese and other Asian suppliers.³⁵ At present, SECON has imposed tariffs as high as 533 percent ad valorem on Mexican imports of Chinese apparel.³⁶

To assist the domestic textile and apparel industry, the Government of Mexico plans to introduce the "Mexico is in Fashion" program in mid-2003. The program will offer incentives for the use of domestic textiles in apparel production and will authorize the use

³¹ Ibid.

³² Mexican Secretariat of the Economy, p. 2.

³³ Nora Ambriz, General Director, Mexican Textile Industries Chamber, interview by USITC staff, Mexico City, Feb. 10, 2003.

³⁴ U.S. Department of State telegram 1446, "Overview of Maquiladora Operations In Mexico," prepared by U.S. Embassy, Mexico City, Feb. 21, 2003.

³⁵ "Mexico's Apparel Losing NAFTA Advantages," May 8, 2002, found at <http://www.emergingtextiles.com>, retrieved Mar. 17, 2003.

³⁶ Raul Garcia, General Director, National Chamber for the Apparel Industry.

of official textile suppliers. The program will also support the efforts of nearly 150 fabric producers and more than 6,000 apparel firms to achieve a marketing advantage by developing improved, fashion-oriented products and creating brand awareness.³⁷

Trade policies

Mexico has entered into a number of FTAs to promote and facilitate trade.³⁸ The most significant of these agreements and the model used for all other FTAs was the NAFTA. NAFTA provided Mexican apparel producers exclusive duty-free and-quota free benefits, greatly boosting the competitiveness of Mexican apparel in the U.S. market. Proximity is also an essential factor of competition for Mexico's textile and apparel sector. As a result, Mexican apparel producers have not been successful at exporting their products to other Latin American countries largely as a result of the difficult economic conditions that existed throughout Latin America during most of the 1990s. In recent years, Mexican textile producers have enjoyed some success in exporting fabric to Colombia and Central America. However, because of U.S. rule of origin, apparel articles made in Colombia and Central America from Mexican fabrics are ineligible for duty-free entry into the United States under the ATPDEA and CBTPA, respectively.

Mexican industry sources stated that the Mexican textile industry would benefit from CAFTA and FTAA if the United States agreed to extend duty-free treatment to imports of apparel made in Central America or other countries in the Western Hemisphere from Mexican fabric. At present, most of Mexico's numerous FTAs have not been successful in assisting the textile and apparel industry because of complex rules of origin requirements and rising industry costs, which are much higher than those of major competing countries such as China.³⁹

Foreign trade

The United States plays a dominant role in the Mexican textile and apparel sector as an investor, supplier, and customer. During 1997-2001, 97 percent of Mexico's textile and apparel trade was with the United States. Prior to 1994, most of this bilateral trade involved production-sharing operations with U.S. firms that exported cut garment parts to Mexico for assembly and then re-imported the finished garments under heading 9802.00.80 of the Harmonized Tariff Schedule of the United States (HTS). NAFTA permitted significant expansion of value-added processes in Mexico. Under NAFTA, apparel made in Mexico could be eligible for duty-free treatment when entering the U.S. market even if the U.S. fabric was cut, dyed, or finished in Mexico. Any apparel made in Mexico of North American yarn was afforded duty-free entry. NAFTA led to a surge in investment in the textile and apparel industries in Mexico and an equivalent rise in U.S. imports of apparel from Mexico.

³⁷ Mexican Secretariat, p. 18.

³⁸ As of 2002, Mexico had signed 10 FTAs with 32 countries.

³⁹ Giorgio Bicocco, General Manager and Director of Manufacturing, Casimeres Burlmex, interview by USITC staff, Mexico City, Feb. 10, 2003.

Under NAFTA, the United States also has tariff preference levels (TPLs) with Mexico that extend duty-free treatment to specified quantities of apparel made in Mexico from non-NAFTA fabric. Mexico has fully utilized these TPLs over the last 5 years. According to United Nations data as reported by the United States, Mexico had a \$4.6 billion trade surplus with the United States in textiles and apparel in 2001 compared with a trade surplus of \$220 million in 1993, the year before NAFTA entered into force.

Imports

Mexico's imports of textiles and apparel from the United States have increased substantially during 1997-2000, rising from \$5.2 billion to \$8 billion. However, the U.S. share of Mexico's market for textiles and apparel decreased from approximately 90 percent in 1997 to 85 percent in 2000. Although Mexico imports yarn, fabric, and apparel primarily from the United States, industry sources assert that much of the apparel imported from the United States is actually of Asian origin. Other leading suppliers of textiles and apparel to Mexico in 2001 were the EU (6 percent) and Korea (4 percent). Mexican imports of textiles and apparel from the EU increased by 91 percent as a result of an FTA between both countries that took effect in 2000. Imports from Korea increased by 39 percent in 2001 because of substantially lower prices for its goods as both the Mexican peso and the U.S. dollar appreciated against the Korean won.

Mexican imports of apparel totaled \$3.8 billion in 2001 and accounted for 40 percent of Mexico's total imports of textiles and apparel (table H-1). As discussed, imports of apparel and textiles from Asia reportedly are undervalued to reduce tariff obligations.⁴⁰ These actions make Asian products more competitive in North America and also reduce the share of the market served by U.S. and Mexican producers.⁴¹

Exports

Mexico's exports of textiles and apparel to the United States increased by 50 percent during 1997-2000, to \$10.3 billion, and then fell by 10 percent in 2001, to \$9.3 billion (table H-2). This figure represented 5.8 percent of Mexico's total exports of \$159 billion in 2001. Other important markets for textiles and apparel included Canada (\$113 million) and the EU (\$83 million). Mexico's exports to Canada have risen steadily largely as a result of NAFTA. On the other hand, despite the fact that Mexico has an FTA with the EU, exports have continuously decreased from \$136 million in 1997 to \$83 million in 2001. These declines are largely attributable to Europe's long-standing relationships with established apparel suppliers in Central Europe, Turkey, and North Africa with which EU textile producers have production-sharing arrangements.

Based on official U.S. statistics, U.S. imports of textiles and apparel from Mexico peaked at 4.7 billion SMEs in 2000, and then fell to lower levels in 2001 and 2002, when they

⁴⁰ Similar assertions were made by four representatives of textile and apparel manufacturers and one trade consultant during interviews by USITC staff, Mexico City, Feb. 10, 2003.

⁴¹ Lopez Amaya.

totaled 4.3 billion SMEs (table H-3). Imports in 2002 were equally divided between textiles and apparel--2.2 billion SMEs each. Manmade-fiber articles accounted for 64 percent of total U.S. textile and apparel imports from Mexico that year and cotton textiles accounted for 35 percent of the total. Cotton trousers accounted for 24 percent of total U.S. apparel imports from Mexico by quantity in 2002, and knit shirts and blouses of manmade fibers accounted for 11 percent. The leading apparel imports by value were men's and women's trousers (\$2.9 billion, or 39 percent of total apparel imports from Mexico in 2002) and knit cotton shirts and blouses (\$1.3 billion, or 17 percent).

Table H-1

Mexico: Statistical profile of textile and apparel sector and foreign trade, 1997-2001

Item	1997	1998	1999	2000	2001
Textile and apparel share of manufacturing value-added (percent)	3	3	3	(¹)	(¹)
Installed spinning capacities:					
Short-staple spindles (1,000)	3,500	3,500	3,500	3,500	3,500
Long-staple spindles (1,000)	200	200	227	227	227
Open-end rotors (1,000)	100	100	100	100	100
Installed weaving capacities:					
Shuttleless looms (number)	14,500	14,500	14,500	14,500	14,500
Shuttle looms (number)	35,00	35,000	35,000	35,000	35,000
Purchases of large circular knitting machines	(¹)	399	444	267	191
Average total labor cost per operator hour	(¹)	(¹)	(¹)	\$2.20	² \$2.45
Mill fiber consumption:					
Cotton (1,000 metric tons)	393.1	513.1	521.9	492.1	442.4
Wool (1,000 metric tons)	7.2	5.7	5.9	11.5	11.7
Manmade fibers (1,000 metric tons)	553.4	546.6	584.1	601.2	539.4
Total (1,000 metric tons)	953.7	1,065.4	1,111.9	1,104.8	993.5
Foreign trade:					
Exports:					
Textiles (million dollars)	1,784.4	1,832.2	1,922.2	2,409.5	2,051.9
Apparel (million dollars)	5,732.8	6,784.0	8,134.0	8,772.4	8,033.3
Total (million dollars)	7,517.2	8,616.2	10,056.1	11,181.9	10,085.2
Imports:					
Textiles (million dollars)	2,852.9	3,415.2	4,869.2	6,189.0	5,979.9
Apparel (million dollars)	3,342.0	3,740.9	3,667.8	4,007.6	3,808.1
Total (million dollars)	6,194.9	7,156.0	8,536.9	10,196.6	9,788.1
Trade balance:					
Textiles (million dollars)	-1,068.5	-1,582.9	-2,947.0	-3,779.5	-3928.0
Apparel (million dollars)	2,390.8	3,043.0	4,466.2	4,764.8	4,225.2
Total (million dollars)	1,322.3	1,460.2	1,519.2	985.3	297.1

¹ Not available.² Represents 2002 data for the apparel industry, as compiled by the Jassin-O'Rourke Group, New York, NY.

Note.—Because of rounding, figures may not add to totals shown.

Source: Industry data from International Textile Manufacturers Federation (Zurich), *International Textile Machinery Shipment Statistics*, vol. 25/2002, and selected back issues; labor cost data from Werner International Management Consultants, "Spinning and Weaving Labor Cost Comparisons, 2002", Reston, VA; mill fiber consumption data from Geerdes International, Inc., Richmond, VA; and trade data are United Nations data as reported by Mexico, except as noted.

Table H-2

Mexico: Exports of textiles and apparel, by selected markets, 1997-2001

Item and market	1997	1998	1999	2000	2001
<i>Million dollars</i>					
Textiles (SITC 65):					
Quota markets:					
United States	1,296	1,414	1,554	1,959	1,685
European Union	85	65	52	50	53
Canada	65	74	68	66	61
Subtotal	1,447	1,552	1,674	2,075	1,800
All other:					
Korea	8	8	48	97	75
Colombia	29	32	29	38	25
Guatemala	28	26	24	27	23
Other	273	214	147	172	129
Subtotal	338	280	249	334	252
Grand total	1,784	1,832	1,922	2,410	2,052
Apparel (SITC 84):					
Quota markets:					
United States	5,595	6,570	7,734	8,354	7,641
European Union	50	30	29	43	30
Canada	18	22	37	46	51
Subtotal	5,664	6,623	7,800	8,442	7,722
All other	69	161	334	330	311
Grand total	5,733	6,784	8,134	8,772	8,033
Textiles and apparel:					
Quota markets:					
United States	6,891	7,984	9,288	10,313	9,326
European Union	136	95	81	93	83
Canada	84	96	106	112	113
Subtotal	7,111	8,175	9,474	10,517	9,522
All other	406	441	582	665	563
Grand total	7,517	8,616	10,056	11,182	10,085
<i>Percent</i>					
Share of exports going to quota markets:					
Textiles	81	85	87	86	88
Apparel	99	98	96	96	96
Average	95	95	94	94	94

Note.—Because of rounding, figures may not add to totals shown.

Source: Compiled from United Nations data.

Table H-3

Textiles and apparel: U.S. general imports from Mexico, by specified product categories,¹ 1997-2002

Cat.		1997	1998	1999	2000	2001	2002
No.	Description	<i>1,000 square meters equivalent</i>					
0	Textiles and apparel, total	3,041,069	3,559,315	4,142,701	4,746,533	4,289,934	4,335,107
1	Apparel	1,555,103	1,984,577	2,306,888	2,526,814	2,290,142	2,157,215
2	Textiles	1,485,966	1,574,738	1,835,813	2,219,719	1,999,793	2,177,892
11	Yarns	425,647	511,313	646,988	718,441	603,373	566,304
12	Fabrics	502,477	389,132	400,950	430,517	443,132	569,980
14	Other miscellaneous articles	557,842	674,293	787,875	1,070,761	953,287	1,041,607
30	Cotton textiles and apparel	985,610	1,319,380	1,588,883	1,717,378	1,557,260	1,518,100
31	Cotton apparel	705,281	958,961	1,164,917	1,260,641	1,145,007	1,123,162
32	Cotton textiles	280,329	360,419	423,966	456,737	412,253	394,939
40	Wool textiles and apparel	18,626	23,868	24,548	34,861	30,402	25,725
60	Manmade-fiber textiles and apparel	2,026,553	2,206,641	2,519,300	2,980,609	2,691,366	2,771,580
61	Manmade-fiber apparel	828,571	1,001,176	1,119,259	1,239,066	1,121,419	1,013,934
62	Manmade-fiber textiles	1,197,981	1,205,464	1,400,042	1,741,544	1,569,947	1,757,646
80	Silk blend/veg fiber textiles/apparel	10,280	9,427	9,969	13,685	10,906	19,702
200	Yarn for retail sale, sewing thread	13,281	11,987	11,161	8,277	6,428	11,219
201	Specialty yarn	40,090	50,238	75,374	67,763	73,050	75,314
218	Fabrics of different colored yarn	3,654	14,315	17,552	26,678	12,986	10,864
222	Knit fabric	52,151	51,873	73,674	96,622	87,217	95,605
223	Nonwoven fabric	179,118	58,998	76,828	90,627	114,484	139,122
225	Blue denim fabric	78,527	65,351	60,756	44,366	37,259	50,225
229	Special purpose fabric	54,494	60,599	53,722	65,653	69,631	140,234
237	Playsuits	11,388	14,244	8,699	13,414	8,832	8,805
239	Babies' apparel	25,327	33,135	41,309	37,595	36,028	28,436
300	Carded cotton yarn	46,094	65,839	114,896	92,534	75,595	67,641
301	Combed cotton yarn	30,631	62,982	81,992	107,139	106,921	98,499
317	Cotton twill fabric	32,000	27,979	27,479	23,895	5,054	10,072
331	Cotton gloves	3,426	3,367	4,374	6,693	9,539	17,869
332	Cotton hosiery	31,331	44,732	62,386	77,664	88,548	95,803
336	Cotton dresses	16,785	18,132	20,203	17,300	8,028	8,407
338	Cotton knit shirts, men/boys	84,419	123,368	170,213	164,922	155,886	153,968
339	Cotton knit shirts, women/girls	50,155	72,820	113,071	119,220	113,784	125,419
340	Cotton not knit shirts, men/boys	17,181	24,468	26,337	26,449	17,469	16,576
342	Cotton skirts	3,211	3,996	4,861	4,979	8,059	11,289
347	Cotton trousers, men/boys	159,230	202,235	255,285	278,541	250,081	258,128
348	Cotton trousers, women/girls	159,511	212,239	246,389	301,457	274,503	266,727
351	Cotton nightwear	15,660	18,827	22,417	17,178	11,683	12,814
352	Cotton underwear	85,773	129,236	120,506	128,291	85,496	57,496
359	Other cotton apparel	33,027	44,839	52,068	51,918	56,876	44,448
369	Other cotton manufactures	38,725	47,934	44,930	72,973	75,335	71,628
600	Textured filament yarn	61,690	58,630	82,313	101,428	97,473	118,802
604	Yarn of synthetic staple fiber	42,696	36,762	22,874	30,949	35,235	28,014
606	Non-textured filament yarn	188,759	218,454	240,236	289,572	198,249	150,189
607	Other staple fiber yarn	1,762	5,718	17,604	16,727	9,982	16,590
620	Other synthetic filament fabric	60,898	50,149	46,753	26,849	46,403	44,209
622	Glass fiber fabric	1,291	886	844	1,339	10,043	15,462
632	Manmade-fiber hosiery	40,056	45,777	47,828	44,221	34,126	27,272
634	Other manmade coats, men/boys	6,890	14,845	19,926	26,550	28,274	27,195
635	Manmade-fiber coats, women/girls	14,823	28,162	23,626	34,661	29,906	25,021
636	Manmade-fiber dresses	43,613	60,107	74,966	73,854	53,898	47,889
638	Manmade knit shirts, men/boys	126,848	120,815	193,564	230,943	203,661	167,444
639	Manmade knit shirts, women/girls	97,996	101,493	83,229	68,890	70,878	74,077

See footnotes at end of table.

Table H-3--Continued

Textiles and apparel: U.S. general imports from Mexico, by specified product categories,¹ 1997-2002

Cat.		1997	1998	1999	2000	2001	2002
No.	Description	<i>1,000 square meters equivalent</i>					
640	Manmade not knit shirts, men/boys	5,666	7,653	10,398	16,284	14,856	18,388
641	Manmade-fiber not knit blouses	11,814	16,884	18,015	21,062	22,658	20,047
647	Manmade-fiber trousers, men/boys	43,280	50,201	67,065	103,496	102,453	97,623
648	Manmade-fiber trousers, women/girls	75,150	87,159	77,297	83,878	82,159	68,392
649	Manmade-fiber brassieres	24,268	27,195	31,441	26,028	20,332	16,166
651	Manmade-fiber nightwear	57,576	89,090	75,617	77,159	54,436	50,347
652	Manmade-fiber underwear	85,720	92,640	94,982	94,761	84,767	73,542
659	Other manmade-fiber apparel	148,134	193,318	231,999	262,715	261,291	252,513
666	Other manmade-fiber furnishings	212,517	239,060	277,057	416,812	357,179	448,424
669	Other manmade-fiber manufactures	254,774	330,924	404,198	518,770	472,456	476,460
670	Manmade-fiber handbags/luggage	32,814	31,500	27,380	25,102	16,600	7,910

¹ To administer the U.S. textile and apparel quota program, articles are grouped under 3-digit category numbers, which cover many 10-digit statistical reporting numbers under which goods are classified from statistical purposes in the Harmonized Tariff Schedule of the United States (HTS). The 1-digit and 2-digit numbers represent specific levels of import aggregation for articles covered by the quota program (e.g., the number "1" represents total imports of apparel, while "31" represents total imports of cotton apparel).

² Less than 500 square meters equivalent.

Source: Compiled from official statistics of the U.S. Department of Commerce, which are available on its website at <http://otexa.ita.doc.gov/>.

